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RUEHPE/AMEMBASSY LIMA 5988
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SUBJECT: CHILE MEDIA REPORT - FEBRUARY 23

Leading Stories

1. Volcanologists warn that the Chaiten volcano in southern Chile could collapse, burying the town of Chaiten under ashes, volcanic material, and mud slides. The Minister of Interior underscores that that it is not possible at this stage to rebuild Chaiten and local government authorities started the relocation of their facilities in the area of El Amarillo.

U.S.-Related News

2. Change is the word that characterizes the new U.S. administration. It's also what the world is expecting, and Latin America is no exception. Many are waiting to see a sign that a new era has begun. But the pressure of the economic crisis and the situation of U.S. troops in Iraq and Afghanistan have not given Obama time to look at Latin America or appoint the officials in the White House and the Department of State who are responsible for relations with the region. However, there is one individual who seems to have the best chances of heading the office of Western Hemispheric Affairs in the Department of State: Chilean Arturo Valenzuela, Director of the Center for Latin American Studies in Georgetown University and Clinton advisor since 1992 (El Mercurio, conservative, influential newspaper-of-record, circ. 129,000, 2/22).

3. Although Latin America was not a priority during Obama's campaign, there were signs that the lack of interest shown by the previous administration could change. In June, Obama said, "There is a natural connection between the United State and Latin America," and even offered Chile and Argentina assistance in nuclear development. But nothing has yet happened and there seems to be no plan for the short-term. The best example of this is that Assistant Secretary for Western Hemispheric Affairs Thomas Shannon, appointed by Bush in 2005, has been asked to stay until the summit of the Americas in April. No one knows what will happen after that. One expert said that although Shannon's work has been highly rated and he is a respected diplomat, he is nevertheless a symbol of the previous administration's policy, which could hurt the beginning of relations between Latin America and the Obama administration (El Mercurio, 2/22).

4. Alvaro Vargas Llosa: "Vacuum" is the word that best describes the policy of the new U.S. administration toward Latin America, because there is no policy and no one to execute it. The U.S. government is fully absorbed by domestic affairs and in other

regions of the world, such as the Middle East and Asia. Obama has had no time to come up with a plan or make the appropriate appointments and has asked Thomas Shannon, the respected diplomat who now heads the office of affairs with Latin America, to remain in place until April. The same has been asked of Hector Morales, U.S. representative to the OAS. In the context of these requests and Obama's campaign announcement of a change in policy toward the region, the Department of State can only be prudent in its action. According to an "Andean diplomat" some Washington allies in the region are concerned that this power vacuum is perceived as a U.S. weakness, and therefore encouraging activities that are contrary to U.S. interests, such as the recent visits of numerous heads of state to Cuba to meet with Fidel Castro (La Tercera, conservative, independent, circ. 101,000, 2/22).

15. Two years ago the United States Trade Representative (USTR) placed Chile on its Priority Watch List for IPR. Today, local experts believe Chile has made significant progress to be taken off the list: Congress has ratified the Patent Cooperation Treaty, Customs and the police have tightened significantly their control of piracy, the Investigations Police (PDI) created the special Intellectual Property Crimes Brigade in 2008 (Diario Financiero, business and financial, circ. 30,000, 2/23).

16. Editorial: "Obama Shows his Foreign Policy Cards"
"Although Obama is focusing on domestic problems ... he has not neglected the external front, and he fulfilled the U.S. presidential tradition of making his first official trip abroad to Canada.... Although the economy is today a priority in the United States and in the world, the wars in Iraq and Afghanistan occupy an important place in Obama's agenda.... Meanwhile, eyes are set on what foreign leaders Obama will meet first and this will be the Japanese Prime Minister... which is considered as a special gesture toward a 'fundamental' ally that George W. Bush had put somewhat aside If the intention was to send the message that the White House wants to improve its image abroad, it seems this was has been accomplished. The new strategy seems to use more 'soft power,' rather than force or military might (El Mercurio, conservative, influential newspaper-of-record, circ. 129,000, 2/23).

17. Editorial: "Obama's Tough Economic Beginning"
"The rescue plans have lacked clarity and the macroeconomic scenario is discouraging, which has prevented markets from regaining confidence. But the new administration has not just sat and waited. On February 10, the administration announced a financial stabilization plan.... It was criticized because the plan did not address the one element that is causing more uncertainty, which is what to do with the 'toxic' assets that have U.S. banks paralyzed. Three day later... Congress approved a US\$787 billion stimulus plan... and this week Obama announced a million dollar financial aid plan for those who have mortgaged their homes.... In spite of the magnitude of these plans, markets have not yet picked up. This would show that regardless of the spectacular sums involved, the true problem has not yet been resolved. In the short term, Washington will have to take a clear stance on how to eliminate the toxic assets.... Without this, Wall Street will have a difficult time recovering" (El Mercurio, conservative, influential newspaper-of-record, circ. 129,000, 2/23).

18. Editorial: "President Obama's Stimulus Plan"
"Last Monday, President passed the law that activates his economic stimulus plan... accentuating the fall of the U.S. stock market.... A reason for this uncertainty is the loss of capital in the financial system.... The only plausible strategy to grow again is to recapitalize this sector, which calls for adequate resources and the right approach.... But the damage that the financial sector has suffered, the questions on the reactivating effects of fiscal expenses, and the fear over the long term impact of the aggressive monetary and fiscal policies applied today will maintain a high degree of tension and uncertainty" (La Tercera, conservative, independent, circ. 101,000, 2/22).

Chile -- other countries

19. A delegation of Chilean ministers of state will visit Ecuador in August to meet with their counterparts and ratify border treaties. This visit occurs as Peru is preparing to file a claim with the International Court of Justice at The Hague in March, questioning

the tri-border treaties signed with Chile in 1952 and 1954. Ecuador is closely watching that process, because those treaties also established its borders with Peru (La Tercera, 2/23).

Cuba

¶10. The controversy created by Fidel Castro's column on President Bachelet's trip to Cuba, and especially his endorsement of Bolivia's maritime claim, yielded good results for Foreign Minister Alejandro Foxley. The minister objected to the trip from the beginning, but Bachelet was not willing to refuse the invitation to visit Cuba and chose to ignore the minister to the point of excluding him from the preparation of the trip. This made Foxley lose leverage. But after the impasse, Foxley is in a better position with Bachelet, who would be more willing to let him handle foreign policy issues (El Mercurio, 2/21).

¶11. Cuban Ambassador to Chile, Ileana Diaz Arguelles, will arrive in Santiago on Thursday and present her letters credentials on March ¶3. Her mission is to improve cooperation on agriculture, health, biotechnology and culture and strengthen the Chile-Cuba Friendship Group in the parliament (Government-owned, editorially independent La Nacion, 2/23).

SIMONS